assessment of the effect of the changed configuration on the unsafe condition addressed by this AD. In no case does the presence of any modification, alteration, or repair remove any airplane from the applicability of this AD.

Compliance: Required as indicated, unless accomplished previously.

To prevent the reduction of fuel supply to the engines during cross-feed operation, which could lead to engine fuel starvation, accomplish the following:

(a) After the effective date of this AD, whenever the fuel balance transfer system (FBTS) is used during maintenance, prior to further flight, perform an inspection to verify that the position indicator of the fuel balance transfer valve (FBTV) is in the closed position, in accordance with Fokker Service Bulletin SBF100–28–030, Revision 1, dated December 5, 1994. The inspection requirements of this paragraph must be accomplished until the deactivation required by paragraph (b) of this AD is accomplished.

(1) If the position indicator is in the closed position, no further action is required by this paragraph.

(2) If the position indicator is in the open position, close the FBTV in accordance with the service bulletin.

(b) Within 90 days after the effective date of this AD, deactivate the FBTS in accordance with either Part 2 or Part 3 of the Accomplishment Instructions of Fokker Service Bulletin SBF100–28–030, Revision 1, dated December 5, 1994, as applicable. Accomplishment of the deactivation constitutes terminating action for the repetitive inspection requirements of paragraph (a) of this AD.

(c) An alternative method of compliance or adjustment of the compliance time that provides an acceptable level of safety may be used if approved by the Manager, Standardization Branch, ANM–113, FAA, Transport Airplane Directorate. Operators shall submit their requests through an appropriate FAA Principal Maintenance Inspector, who may add comments and then send it to the Manager, Standardization Branch, ANM–113.

Note 2: Information concerning the existence of approved alternative methods of compliance with this AD, if any, may be obtained from the Standardization Branch, ANM–113.

(d) Special flight permits may be issued in accordance with sections 21.197 and 21.199 of the Federal Aviation Regulations (14 CFR 21.197 and 21.199) to operate the airplane to a location where the requirements of this AD can be accomplished.

Issued in Renton, Washington, on December 5, 1995.

Darrell M. Pederson,

Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.

[FR Doc. 95–30076 Filed 12–8–95; 8:45 am]

BILLING CODE 4910–13–U

COMMODITY FUTURES TRADING COMMISSION

17 CFR Part 30

Foreign Commodity Options

AGENCY: Commodity Futures Trading Commission.

ACTION: Proposed rule.

SUMMARY: The Commodity Futures Trading Commission (Commission or CFTC) is proposing to amend rule 30.3 to eliminate the requirement that the CFTC authorize the offer and sale of a particular foreign commodity option before it can be offered or sold in the United States. This proposal reflects the Commission's assessment that the continued treatment of foreign commodity options differently from foreign futures (which do not require a specific authorization order) should be reevaluated.

DATES: Comments must be submitted on or before January 10, 1996.

ADDRESSES: Comments should be sent to the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581. Reference should be made to ''Rule 30.3—Foreign commodity options.''

FOR FURTHER INFORMATION CONTACT: Jane C. Kang, Esq., or Robert H. Rosenfeld, Esq., Division of Trading and Markets, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581; telephone (202) 418–5435.

SUPPLEMENTARY INFORMATION:

Background

Commission rule 30.3(a) of the Commission's Part 30 rules governing the offer and sale of foreign futures and option transactions makes it unlawful for any person to engage in the domestic offer or sale of any foreign commodity option contract until the Commission, by order, authorizes the foreign option to be offered or sold in the United States.[1] A Commission order is not required with respect to foreign futures. However, an option on a foreign stock-index futures contract will not be approved unless, among other things, the Commission's Office of the General Counsel has issued a no-action letter authorizing the offer and sale in the United States of the underlying foreign stock-index futures contract. In addition, debt obligations of a foreign country must be designated as an exempted security by the SEC under its rule 3a12–8, 17 CFR 240.3a12–8, before a futures contract based on such debt obligation (or an option on such a futures contract) may be offered or sold to a U.S. person.[2]

The Commission is proposing to eliminate the specific authorization requirement of rule 30.3 thereby permitting, subject to existing prohibitions with respect to stock index futures and options and foreign government debt futures and options products, the offer and sale of foreign commodity options in the same manner as currently applies to the offer and sale of foreign futures. The Commission would, however, continue to monitor the situation and take appropriate action should it determine that U.S. investors, or the Commission, are not able to obtain appropriate information related to the option transactions of a specific exchange or are otherwise being adversely affected by the rule change. Moreover, the proposal would not affect the existing regulatory requirements applicable to the manner in which appropriate products may be offered or sold to U.S. persons, *e.g.*, registration of intermediaries, requirements related to sales practices (including appropriate disclosures), availability to the Commission of books and records and prohibitions on fraudulent activities.

The Commission's determination to propose modifications to the current procedure of regulation 30.3(a) for approval of foreign option products for sale to U.S. persons is based on its experiences with the regulations governing options generally, and, in particular, with the initial regulations imposed on foreign options trading. This proposal reflects the Commission's assessment that the continued treatment of foreign commodity options differently from foreign futures (which do not require a specific authorization order) should be reevaluated.

History of Options Regulation

The regulatory approach to commodity options in the United States

[1] The Commission previously made clear that subject to certain conditions applicable to transactions involving stock indexes and foreign government debt, a rule 30.3 order would not be necessary for transactions effected by U.S. futures commission merchants (FCM) on behalf of foreign customers. *See* 57 FR 36369 (August 13, 1992).

[2] Consistent with section 2(a)(1)(B) of the CEA, this proposed rulemaking would not be applicable to commodity options based on or involving a foreign futures contract based on a foreign stock index unless the foreign stock index futures contract has been approved for offer or sale in the United States through the issuance of a no-action letter by the Commission's Office of the General Counsel. Further, this proposed rulemaking would not be applicable to commodity options based on a foreign government debt which has not been designated as an exempted security under SEC rule 3a12–8.

has been particularly cautious due to the history of abuses which had been associated with such transactions.[3]

Unsatisfactory experiences with what essentially were unregulated sales of options on commodities in the early 1970's, and further abuses under interim regulations adopted in 1976 ultimately resulted in the Commission's suspension of the offer and sale of all commodity options as of June 1, 1978 and the codification of that suspension by Congress in the Commodity Exchange Act of 1978. *See* 46 FR 54500, 54502 (November 3, 1981). The suspension codified by Congress permitted the Commission to introduce option trading, but only if the Commission could document to its Congressional oversight committee its ability to regulate successfully such transactions.[4]

Mindful of this history, in proposing a pilot program for the offer and sale of options in 1981, the Commission expressly stated that it was: [5]

> Cognizant of the need to exercise a strong degree of control over all aspects of commodity option trading.

Thus, the final domestic exchange-traded commodity option rules adopted in 1981 authorized the introduction of options under a limited pilot program which permitted only one option contract per exchange, did not permit either foreign options or options on physical commodities to be offered, and placed significantly greater self-regulatory responsibilities on boards of trade than was then required for futures trading, particularly with respect to the protection of the public from sales practice abuses.[6]

Evolution of Domestic Option Regulations

Although starting narrowly and cautiously, the Commission's options regulations have evolved consistently with the acquisition of an operational history under those regulations. Thus, in December 1982 the Commission expanded the pilot program to permit each exchange to trade one option on a futures contract and one option contract on a non-agricultural physical commodity.[7] The Commission continued to expand the pilot program in a controlled and orderly manner so that both the Commission and the exchanges would obtain greater experience with the trading of options,[8] subsequently expanding the pilot program to permit more option contracts per exchange,[9] to include option contracts on futures contracts on agricultural commodities,[10] and ultimately, to eliminate the pilot status of the option regulations.[11]

The Commission's incremental expansion of the domestic exchange-traded options program was validated by Congress in 1986 when Congress amended section 4c of the CEA to make permanent the program of exchange-traded commodity options. As stated in the House Report on the 1986 legislation: [12]

> The Committee's amendment coincides with a recent decision by the Commission to terminate the pilot status of the program for trading options on futures contracts other than those on domestic agricultural commodities and make the trading of such options permanent. * * *
>
> The Committee believes the Commission has practiced good judgment in its regulation and oversight of both agricultural and the nonagricultural options programs. Furthermore, the Committee is satisfied that the overall experience with both of these pilot programs indicates that few regulatory problems have arisen, and that the exchanges have discharged their responsibilities adequately. Additionally, the Commission has detected no adverse effects on the underlying futures markets resulting from such option trading.

Moreover, based on its administration of the option pilot program for more than ten years, the Commission has previously determined to eliminate certain provisions that were originally part of its options designation requirements for which there were not comparable futures regulation, such as:

—Rule 33.4(b)(9) which required a board of trade applying for designation as a contract market with respect to commodity option transactions to adopt special rules governing the handling by its member FCMs of discretionary accounts in option transactions; [13]

—rules which require boards of trade designated as contract markets for options to adopt rules requiring FCMs that engage in the offer or sale of commodity options regulated under Part 33 to send copies of customer complaints and their resolutions and copies of all promotional materials to the members' designated self-regulatory organization (DSRO); [14] and

—rules which required a specified volume of trading in the underlying futures contract prior to designation; established a delisting criterion for the trading of low-volume contracts; and required exchanges to provide a comprehensive list of occupational categories of commercial users of the commodity underlying the option.[15]

History of Foreign Options Rules.

As noted above, the Commission's initial pilot programs did not include foreign options.[16] Thus the ban contained in section 4c of the CEA remained in effect with respect to foreign options. A program to authorize the offer and sale of foreign exchange-traded commodity options was not implemented until 1987 with the general adoption of the part 30 rules governing foreign futures and option transactions generally.[17] The Part 30 rules, among other things, provided a mechanism for lifting the ban with respect to foreign exchange-traded options. Under rule 30.3(a), foreign exchange-traded commodity options are prohibited from being offered or sold in the United States unless the Commission issues a product-specific order. The part 30 rules did not similarly require a product-specific order for foreign futures transactions.

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[3] The Commission notes that the abuses which characterized the offer and sale of commodity options in the past generally involved sales practices, 46 FR 54500, 54503 (November 3, 1981), including sales activity with respect to alleged ''London options'' (which appeared to have been perpetrated exclusively by sales persons or organizations in the United States, and did not involve any improper activities on the part of foreign exchanges), *see* 42 FR 18246, 18249 (April 5, 1977).

[4] *See* section 4c(c) of the CEA, as amended by the 1978 Act. *See* 46 FR 33293, 33294 (June 29, 1981).

[5] *See* 46 FR 33293, 33294 (June 29, 1981).

[6] *See* 46 FR 54500, 54502 (November 3, 1981).

[7] 47 FR 56996 (December 22, 1982).

[8] *Id.* at 56997.

[9] *See, e.g.*, 49 FR 33641 (August 24, 1984) (permitting each exchange to trade five contracts); 50 FR 45811 (November 4, 1985) (increasing from five to eight the number of contracts permitted per exchange).

[10] 49 FR 2752 (January 23, 1984). The pilot program was established after the statutory bar to trading options on domestic agricultural commodities was repealed by section 206 of the Futures Trading Act of 1982, Pub. L. 97–444, 96 Stat. 2294, 2301 (1983). The Commission limited the pilot program to options on futures contracts on agricultural products. The Commission noted that industry commenters generally favored such a restriction and the Commission's cautious approach. *See* 49 FR at 2754.

[11] *See* 51 FR 17464 (May 13, 1986) (termination of pilot status for non-agricultural options); 53 FR 777 (January 9, 1987) (termination of pilot status for options on non-agricultural physical commodities and on agricultural futures contracts).

[12] *See* H. Rep. 99–624, 99th Cong., 2d Sess. 15 (1986).

[13] 58 FR 30701 (May 27, 1993). The Commission based this rule change on its belief that compliance with the supervisory requirements of rule 166.3, the requirements of rule 166.2 concerning authorization to trade, other Commission rules of general applicability, and SRO rules such as NFA compliance rule 2–8, should be adequate to address the regulatory concerns applicable to both option and futures customer discretionary accounts. *See* 58 FR 30701, 30702.

[14] *See* 57 FR 58976, 58977 (December 14, 1992) (such records must however be maintained by the FCM for review as part of the routine audit process); *see generally* 56 FR 43694 (September 4, 1991).

[15] 56 FR 43694 (September 4, 1991). The Commission also revised rule 33.4(d) which had required exchanges to justify expiration dates of less than 10 days before first notice day or last trading day of the future, whichever comes first.

[16] *See* 46 FR 33293, 33294 (June 29, 1981).

[17] 52 FR 28980 (August 5, 1987).

As with the Commission's pilot program for domestic exchange-traded options, the program for foreign exchange-traded commodity options also has proceeded cautiously. Thus, in issuing the order for any foreign market, the Commission has considered: (1) The availability of certain information relevant to preventing abuses including, but not limited to trade confirmation data; (2) the arrangements in place for assuring that sales practice abuses do not occur; (3) the arrangements for U.S. customers to redress grievances; and (4) the regulatory environment in which such options are traded.[18]

In particular, the Commission placed great stress initially on its ability to obtain information from the foreign exchange with respect to transactions entered into on that exchange on behalf of U.S. customers.[19] As stated in the final rules: [20]

> In order to ensure that foreign commodity exchanges are both willing and able to share appropriate information with the Commission * * * the Commission has determined to make the issuance of a Commission order a prerequisite to the lawful offer and sale of such products.

Reevaluation of foreign options rules.

Since 1987 foreign option sales to U.S. customers have been permitted under the Commission's part 30 rules. Such sales have occurred without the type of sales abuses that historically had been associated with commodity option activities. Contributing to this success has been the requirement that foreign options be sold to U.S. customers by futures commission merchants (which ensures among other things the adequacy of firm capital, fitness of personnel and proper supervision of sales practices); the Commission's Part 30 rules, which seek to ensure that foreign firms directly soliciting U.S. customers for foreign products are otherwise regulated as to their sales practices; [21] and the undertaking by the National Futures Association (NFA) to audit the foreign options sales practices of domestic firms marketing foreign options to domestic customers.[22] In particular, under the current regulatory scheme, firms engaged in the offer or sale of foreign commodity options (and futures) to U.S. customers must either be a Commission registrant or a foreign firm which has qualified to sell foreign products in the United States under the Commission's Part 30 rules based on substituted compliance with a foreign jurisdiction's licensing and fitness requirements and subject to certain other conditions to assure the availability of the firms' records and its submission to Commission jurisdiction under the CEA and U.S. law otherwise.

In the case of NFA, NFA audits generally include the review and analysis of a member firm's trading records, sales materials and practices (sales practices compliance audits), and for FCMs and independent IBs, accounting procedures, financial statements and records (financial audits). NFA's audit programs are designed so that the auditors must perform a certain amount of work at the member firm's office, testing records and resolving any discrepancies. While all NFA members are subject to audit, decisions concerning whether to audit a particular firm are based on a number of factors, including NFA's review of financial statements, monitoring of media advertising, receipt of customer complaints, knowledge of the past history of the firm and its principals, the time elapsed since the previous NFA audit, potential effects of market movements and referrals outside of NFA.

NFA compliance audits have two major objectives: to determine whether the firm is maintaining records in accordance with NFA rules and applicable Commission regulations, and to ascertain that the firm is being operated in a professional manner and that customers are protected against unscrupulous activities, including fraudulent or high-pressure sales practices. The compliance program specifically examines the firm's practices in soliciting accounts and audits could review, among other things: records of customers' orders; customer confirmations and other account statements; records regarding handling of discretionary accounts; disclosure documents, advertising and other promotional material; records of customer complaints; and records relative to the internal supervision of account executives, order handling or sales personnel.[23]

The Commission believes that its experience since 1987 with foreign options justifies a reexamination of the necessity of requiring a specific option authorization order for each options contract offered and sold in the United States, that is, the continuing need for differential treatment of the offer or sale of foreign futures and foreign options in the United States. Just as the Commission's domestic exchange-traded option program has evolved on the basis of accumulated operational experience, the Commission believes that a similar measured evolution, based on experience, is warranted with respect to foreign commodity options.

However, as noted above, the Commission believes that its existing regulatory scheme governing domestic registered firms which deal directly with the public in conjunction with the sales practice program of the NFA—all subject to Commission oversight—should provide adequate sales practice protections for customers who would engage in foreign options transactions through registered FCMs. In this connection, prior to adopting any final rules in this regard, the Commission would need to be assured that arrangements exist through NFA or otherwise to ensure that sales practice compliance audits of registrants offering foreign commodity options will be undertaken, thereby ensuring complete sales practice compliance audit coverage of firms (which heretofore has been mandated on a product-specific basis under rule 30.3 orders).

Similarly, the Commission's rule 30.10 orders permitting foreign firms to directly solicit U.S. persons for foreign products address options and futures sales practice concerns. In addition, the Commission notes that existing 30.10 orders have been accompanied by information-sharing arrangements

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[18] *See,* e.g., 53 FR 28840 (July 29, 1988).

[19] *See* 52 FR 28980, 28988 (August 5, 1987).

[20] *Id.*

[21] In reviewing the foreign regulatory program for purposes of rule 30.10, the Commission's staff considers the sales practice compliance review program in effect in the foreign jurisdiction.

[22] Part 33 requires exchanges as a condition of designation as a contract market to have specific options sales practice compliance responsibilities. NFA and the futures exchanges participate in a Joint Audit Plan (Plan) to reduce the duplication of audit and financial surveillance work which otherwise could occur with respect to FCMs which are members of more than one exchange. The plan assigns primary audit and financial surveillance responsibility for each FCM, which is a member of more than one of the SROs, to one of the Plan participants. The SRO which has the primary responsibility is known as that FCM's DSRO. NFA is the DSRO for all FCMs which are not members of any commodity exchange and therefore, do not have an exchange SRO and, in some cases, NFA by agreement is the DSRO for certain exchange member firms. NFA also is the DSRO responsible for surveillance over the financial reporting and recordkeeping by all member CPOs, and independent introducing brokers (IBs), as well as guaranteed IBs whose guaranteeing FCMs have NFA as the DSRO. NFA also is charged with auditing for sales practice compliance all member IBs, CTAs and CPOs, and branch offices of FCMs for which NFA is DSRO, as well as all futures sales practices compliance not contracted to another SRO.

To date, NFA has undertaken, in conjunction with specific Commission orders under rule 30.3(a), to conduct sales practice compliance auditing of registrants marketing particular foreign commodity options under relevant arrangements with such firms' DSRO. Therefore, any revisions to Commission rule 30.3 would be premised on the existence of an audit program to assure general sales practice compliance for all foreign commodity option transactions. *See also* n. 21.

[23] *See* Commission rule 33.4(c); *see also* n. 22.

which assure Commission access to relevant information of the type which previously may not have been available.[24] The Commission further recognizes that its ability to obtain information to confirm the existence of transactions executed on foreign exchanges[25] has been materially enhanced by the numerous information-sharing memoranda of understanding and cooperative arrangements that have been entered with foreign jurisdictions.[26]

Nor would elimination of the authorization requirement negatively affect the access of U.S. customers to existing customer complaint procedures, either under existing rule 30.10 orders for customers directly solicited by foreign firms or under NFA's arbitration rules governing disputes with a foreign party.

Customers solicited by foreign firms operating under a rule 30.10 order will, pursuant to the express terms of such orders, have access to arbitration procedures both abroad and through NFA. Customers transacting through a domestic firm will have the option of electing NFA arbitration procedures. NFA rules governing arbitration of disputes involving foreign parties provide that disputes involving a foreign party may, in the discretion of NFA, be arbitrated if the parties agree to such arbitration (see NFA foreign arbitration rule sec. 2(a)(1)). Demands for arbitration will be rejected, however, if the claim arises primarily out of delivery, clearance, settlement or floor practices of a foreign exchange unless the foreign jurisdiction has no program for the resolution of disputes, in which case NFA will hear such claims. The rule 30.10 order permits the 30.10 firm to require a customer to consent to use a foreign regulator's non-binding mediation or conciliation service prior to initiating an NFA arbitration case. (See NFA Arbitration Policy Statement (March 1, 1989)).

Thus, whether solicited by Commission registrants or foreign firms operating under rule 30.10, the Commission believes that the systems in place to address sales practice abuses and information sharing warrant reexamination of existing procedures.

Finally, the Commission notes that FCMs which are not members of foreign exchanges should assure themselves that there are no statutory or regulatory impediments on their ability to obtain information from foreign exchange-members firms necessary to enable such FCMs to comply with the CEA and regulations thereunder relative to confirming the execution of foreign option transactions.

In conclusion, the Commission believes that the differential treatment of foreign options no longer is justified. Indeed, to the extent that such differential treatment continues under circumstances when such treatment is not warranted based on existing economic and/or regulatory concerns, it risks conveying to traders the incorrect impression that the Commission can provide a greater level of protection with respect to foreign options than with respect to foreign futures. Moreover, as domestic exchanges increasingly seek to link their exchanges electronically with other exchanges worldwide, the presence of an authorization process for commodity options raises, under the current circumstances, an unnecessary obstacle that could competitively disadvantage domestic exchanges.

Proposal

The Commission is therefore proposing to eliminate rule 30.3's requirement that no foreign option may be offered or sold in the United States until the Commission, by order, authorizes such foreign commodity option to be offered or sold in the United States.

The Commission notes that the proposed elimination of the specific authorization requirement in rule 30.3(a) will not affect the existing product restrictions applicable to options on futures contracts based on stock index products (*i.e.*, the underlying stock index futures must be the subject of a no-action letter issued by the CFTC's Office of the General Counsel) and foreign government debt (i.e., the debt product must be designated by the SEC as an exempted security under SEC rule 13a–8) contained in section 2(a)(1)(B)(v) of the CEA.

Accordingly, the Commission invites comment from interested parties on its proposal. Moreover, the Commission specifically invites the contract markets to indicate any other areas in which the designation requirements for options and futures generally could be further harmonized.

Other Matters

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, requires that agencies, in proposing rules, consider the impact of those rules on small businesses. The Commission has previously determined that FCMs should be excluded from the definition of ''small entity'' based upon the fiduciary nature of the FCM/customer relationships as well as the fact that FCMs must meet minimum financial requirements. 47 FR 18618, 18619 (April 30, 1982). The Commission similarly determined that CPOs are not small entities for purposes of the RFA. 47 FR 18618, 18620 (April 30, 1982). With respect to CTAs and IBs, the Commission has stated that it would evaluate within the context of a particular rule proposal whether all or some affected CTAs would be considered to be small entities and, if so, the economic impact on them of any rule. 47 FR 18618, 18620 (April 30, 1982) (CTAs); 48 FR 35248, 35276 (August 3, 1983) (IBs).

The proposed amendment of rule 30.3 is intended to facilitate the ability of Commission registrants or exempted firms to provide customers with access to desired products by eliminating a current product-by-product authorization requirement, thus providing easier access to a greater number of persons.

Accordingly, the Chairman, on behalf of the Commission, hereby certifies, pursuant to 5 U.S.C. 605(b), that the proposed rule will not have a significant economic impact on a substantial number of small entities.

Paperwork Reduction Act

The Paperwork Reduction Act of 1980 (Act), 44 U.S.C. 3501 et seq., imposes certain requirements on federal agencies (including the Commission) in connection with their conducting or sponsoring any collection of information as defined by the Act. The Commission has determined that the proposed amendment does not have any paperwork burden.

Persons wishing to comment on the Commission's determination on the paperwork burden concerning this proposed rule should contact Jeff Hill,

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[24] Significantly, to date, the Commission has not had occasion to request any information under any information sharing arrangement in connection with the approval of a particular exchange foreign option product.

[25] In explaining its decision to suspend the offer and sale of foreign commodity options in the United States, the Commission noted in 1977, among other things, that:

The Commission's investigators and auditors have also encountered great difficulty in their attempts to verify the details of option transactions purportedly effected for Americans on foreign exchanges.

See 43 FR 16153, 16155 (April 17, 1977).

[26] For example, such regulatory and enforcement MOUs and cooperative arrangements have been entered into with authorities in Australia, Argentina, Brazil, Canada, France, Hong Kong, Italy, Japan, Mexico, the Netherlands, Singapore, Spain, Taiwan, and the United Kingdom.

Office of Management and Budget, room 3228, NEOB, Washington, D.C. 20503, (202) 395–7340. Copies of the information collection submission to OMB are available from Joe Mink, CFTC Clearance Officer, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581; telephone (202) 418–5170.

List of Subjects in 17 CFR Part 30

Commodity futures.

In consideration of the foregoing, and pursuant to the authority contained in the Commodity Exchange Act and, in particular, sections 2(a)(1)(A), 4, 4c and 8a of the Commodity Exchange Act, 7 U.S.C. 2, 6, 6c and 12a, the Commission hereby proposes to amend part 30 of chapter I of title 17 of the Code of Federal Regulations as follows:

PART 30—FOREIGN FUTURES AND FOREIGN OPTIONS TRANSACTIONS

1. The authority citation for part 30 continues to read as follows:

Authority: Secs. 2(a)(1)(A), 4, 4c and 8a of the Commodity Exchange Act, 7 U.S.C. 2, 6, 6c and 12a.

2. Section 30.3 is proposed to be amended by revising paragraph (a) to read as follows:

§ 30.3 Prohibited transactions.

(a) It shall be unlawful for any person to engage in the offer and sale of any foreign futures contract or foreign options transaction for or on behalf of a foreign futures or foreign options customer, except in accordance with the provisions of this part: Provided, that, with the exception of the disclosure and antifraud provisions set forth in §§ 30.6 and 30.9 of this part, the provisions of this part shall not apply to transactions executed on a foreign board of trade, and carried for or on behalf of a customer at a designated contract market, subject to an agreement with and rules of a contract market which permit positions in a commodity interest which have been established on one market to be liquidated on another market.

* * * * *

Issued in Washington, D.C. on December 5, 1995 by the Commission.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 95–30046 Filed 12–8–95; 8:45 am]

BILLING CODE 6351–01–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Chapter I

[Docket No. RM96–5–000]

Gas Pipeline Facilities and Services on the Outer Continental Shelf—Issues Related to the Commission's Jurisdiction Under the Natural Gas Act and the Outer Continental Shelf Lands Act

November 29, 1995.

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Proposed rule; notice of inquiry.

SUMMARY: The Federal Energy Regulatory Commission is initiating an inquiry into the Commission's policy respecting the application of its jurisdiction under the Natural Gas Act and the Outer Continental Shelf Lands Act over natural gas facilities and services on the Outer Continental Shelf (OCS). The notice of inquiry is intended to receive information respecting the structure and operation of natural gas gathering and transportation on the OCS and the effects of the Commission's current policy. The notice of inquiry solicits comments on the legal and policy issues to be considered, in either maintaining or departing from the Commission's present policy, the operational considerations pertaining to OCS exploration and development activities, and pipeline systems that the Commission should take into account in its review of its current policy. The notice of inquiry invites all interested persons to participate in the inquiry and to submit answers to several specific questions.

DATES: Written comments must be received on or before January 12, 1996; an original and 14 copies should be filed.

ADDRESSES: All comments should refer to Docket No. RM96–5–000 and should be addressed to: Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426.

FOR FURTHER INFORMATION CONTACT: Robert Wolfe, Office of the General Counsel, 888 First Street, NE., Washington, DC 20426, (202) 208–2098.

SUPPLEMENTARY INFORMATION:

I. Introduction

The Federal Energy Regulatory Commission is initiating an inquiry into the Commission's policy respecting the application of its jurisdiction under the Natural Gas Act (NGA) and the Outer Continental Shelf Lands Act (OCSLA) over natural gas facilities and services on the Outer Continental Shelf (OCS).

The Commission is initiating this Notice of Inquiry (NOI) to examine the structure and operation of natural gas gathering and transportation on the OCS and the effects of the Commission's current policy. The NOI will also seek information on the legal and policy issues to be considered, in either maintaining or departing from the Commission's present policy, the operational considerations pertaining to OCS exploration and development activities, and pipeline systems that the Commission should take into account in its review of its current policy.

II. Background

The Commission's current policy respecting the jurisdictional status of gas pipelines and services on the OCS presents a number of issues concerning the status, scope, and effects of the Commission's regulation of gathering and transportation on the OCS. The Commission has determined that it should undertake a review of these issues.

Increases in successful offshore exploration and development activities, particularly in the Gulf of Mexico, have heightened the significance of these jurisdictional issues. Recently, several companies have either filed requests for, or have indicated their intent to request, exempt gathering status for offshore pipeline systems that each is eager to construct to bring gas onshore from significant newly developed deep water reserves in the Gulf. There are also pending requests for declaratory orders concerning existing certificated offshore systems.

There are 18 existing interstate pipelines on the Outer Continental Shelf (OCS) in the Gulf of Mexico that are presently subject to the Commission's regulation under the NGA. There are also numerous facilities that are not under NGA jurisdiction. These are principally producer-owned facilities. It is noteworthy that an estimated 27% of the lower 48 State's total dry gas production comes from the Gulf of Mexico OCS.[1]

The various OCS pipeline system proposals and Sea Robin Pipeline Company's request for rehearing of the Commission's June 16, 1995 order in Docket No. CP95–168–000[2] have prompted reexamination of the

[1] *See, Natural Gas Production for the Lower 48 States 1982 through 1993,* Energy Information Agency, March 1993.

[2] 71 FERC ¶ 61,351 (1995).